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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA, SAN JOSE DIVISION

CISCO SYSTEMS, INC.,

Plaintiff,

vs.

ARISTA NETWORKS, INC.,

Defendant.

CASE NO. 5:14-cv-5344-BLF

CISCO SYSTEMS, INC.'S SUBMISSION REGARDING ITS RIGHT TO A JURY DETERMINATION OF DISGORGEMENT OF INFRINGER'S PROFITS

Date: September 9, 2016
Time: 9:00 a.m.
Dep't: Courtroom 3, 5th Floor
Judge: Hon. Beth Labson Freeman

Date Filed: December 5, 2014

Trial Date: November 21, 2016

Both the Copyright Act and the Seventh Amendment grant Cisco the right to a jury trial on disgorgement, and the Supreme Court's opinion in *Petrella v. MGM*, 134 S.Ct. 1962 (2014), did not change that. Section 504(b) of the Copyright Act provides a statutory right to a jury trial on disgorgement. While every other civil remedy provision of the Copyright Act specifically requires the ***court*** to determine the remedy, §504(b) ***does not*** require the court to determine the amount of infringer's profits (or, of course, actual damages). *See Feltner v. Columbia Pictures TV*, 523 U.S. 340, 345-46 (1998); 17 U.S.C. §504. Thus, the logical assumption is that Congress intended the jury to decide the remedies in §504(b), not the judge. *See, e.g., Sosa v. Alvarez-Machain*, 542 U.S. 692, 711 n.9 (2004); *FDA v. Brown & Williamson*, 529 U.S. 120, 133 (2000). Moreover, the combination of actual damages—the quintessential ***legal*** remedy—and infringer's profits in §504(b), together with a caution not to award profits "taken into account in computing the actual damages," demonstrates that Congress intended the jury to decide both remedies. *Compare Feltner*, 523 U.S. at 345-46.

The Seventh Amendment also guarantees the right to a jury trial for disgorgement. The Supreme Court long ago explained that recovery of infringer's profits is "a compensation for the injury" sustained from the invasion of a right and such profits are thus a "measure of [the injured party's] damages." *Mowry v. Whitney*, 81 U.S. 620, 653 (1871); *Root v. Lake Shore & M.S. Ry.*, 105 U.S. 189, 214, 215 (1881). An award of infringer's profits has long been considered a question of damages sounding in law. *See, e.g.*, *BASF v. Old World Trading Co.*, 41 F.3d 1081, 1095-96 (7th Cir. 1994); *Swofford v. B & W*, 336 F.2d 406, 411 (5th Cir. 1964). Indeed, the Ninth Circuit held that there is a Seventh Amendment right to a jury trial on a claim for infringer's profits in a copyright case. *Sid & Marty Krofft v. McDonald's*, 562 F.2d 1157, 1175 (9th Cir. 1977) (superseded on other grounds) (citing *Dairy Queen v. Wood*, 369 U.S. 469, 477-78 (1962) (finding same in trademark case)). More recently, in *Feltner*, the Supreme Court held that the Seventh Amendment provides a right to a jury trial for statutory copyright damages because "monetary relief is legal, and an award of statutory damages may serve purposes traditionally associated with legal relief, such as compensation and punishment." 523 U.S. at 352-53. The

Feltner Court's rationale applies equally here. *See also* 5 *Nimmer on Copyright*, §14.03[E].

Petrella, addressing laches in copyright cases, has not changed this statutory and constitutional framework. In *dicta* in a footnote, recognizing that because of its "'protean character'" disgorgement "'is not easily characterized as legal or equitable,'" the Supreme Court noted: "we regard as appropriate its treatment as 'equitable' ***in this case***." *Petrella*, 134 S.Ct. at 1967 n.1 (emphasis added). Such treatment of disgorgement as "equitable" for purposes of laches does not preclude a jury trial on disgorgement or eviscerate Cisco's statutory or Seventh Amendment rights. *Legal Servs. v. Velazquez*, 531 U.S. 533, 557 (2001) ("Judicial decisions do not stand as binding 'precedent' for points that were not raised, not argued, and hence not analyzed.").

Contrary to Arista's contentions, the courts in this Circuit do not agree that *Petrella* denied the right to a jury on disgorgement. In *Oracle v. Google,* Case No. 3:10-cv-03561-WHA (N.D. Cal. May 3, 2016), Judge Alsup concluded: "The disgorgement issue will remain with the jury for decision and post-verdict, the Court will rule on the *Petrella* issue and at the very least treat the disgorgement verdict as advisory, if not conclusive." In *Fahmy v. Jay-Z*, No. 2:07-cv-05715-CAS (C.D. Cal. Oct. 9, 2015), finding "ambiguity" regarding the issue, Judge Snyder nonetheless determined to have "the Court [] calculate the amount [of] profits, if any, to be awarded pursuant to §504(b)," but also to "have the issue of plaintiff's recovery of profits presented to the jury" and to "treat the jury's verdict on this issue as advisory." *Id.* at 1, 3. Notably, in her order, Judge Snyder did not analyze the right to a jury under either §504(b) or the Seventh Amendment. Finally, other district courts have simply submitted disgorgement of profits to the jury for decision post-*Petrella* without discussion. *E.g., Williams v. Bridgeport Music*, 2015 WL 7765913, Section I Intro. (C.D. Cal. July 14, 2015) (noting jury award of actual damages and infringer's profits).

Dated: September 16, 2016

Respectfully submitted,

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